

VZCZCXRO7067

OO RUEHAO RUEHCD RUEHGA RUEHGD RUEHHA RUEHHO RUEHMC RUEHNG RUEHNL
RUEHQU RUEHRD RUEHRG RUEHRS RUEHTM RUEHVC
DE RUEHOT #3536/01 3392156
ZNY CCCCC ZZH
O 052156Z DEC 06
FM AMEMBASSY OTTAWA
TO RUEHC/SECSTATE WASHDC IMMEDIATE 4565
INFO RUEHWH/WESTERN HEMISPHERIC AFFAIRS DIPL POSTS PRIORITY

C O N F I D E N T I A L SECTION 01 OF 03 OTTAWA 003536

SIPDIS

SIPDIS

STATE FOR WHA/CCA, WHA/CAN AND EB/ESC/TFS

E.O. 12958: DECL: 12/04/2016

TAGS: [ETRD](#) [ETTC](#) [PREL](#) [CU](#) [CA](#)

SUBJECT: CANADA'S RESPONSE TO THE LIBERTAD ACT

REF: A. STATE 191752

[1](#)B. OTTAWA 2420 (NOTAL)

Classified By: DCM JOHN DICKSON FOR REASONS 1.4 (B,D)

[1](#)1. (U) Post answers to reftel questions are based on information obtained from Daniel Daley and Louise Branch, the Director and Deputy Director, respectively, of the Caribbean, Central America and Andean Region Division, Foreign Affairs and International Trade Canada (DFAIT) as well as reporting on Canadian-Cuban economic relations in ref B.

[1](#)2. (C) What are the nature of investments (and names, if known) that host country businesses have in Cuba?

(U) Canada is currently the largest foreign investor in Cuba.

There are about 85 Canadian companies operating in Cuba, including Labatt, a brewing company, and Pizza Nova, a fast food pizza chain with six locations in Cuba. The U.S.-Cuba Trade and Economic Council lists the companies who do business or have done business with Canada (www.cubatrade.org). Canadian companies are also active in the Cuban tourism industry through hotel-supply contracts. The largest Canadian investor in Cuba is Sheritt International, a natural resources company based in Toronto. Sheritt and state-owned Cubaniquel jointly operate a nickel and cobalt facility in Moa, Cuba. Foreign direct investment in the form of oil exploration and production is expanding, in which Sheritt International is also involved.

(SBU) Canadian contacts say that the threat of Title III implementation has been an obstacle to investment in Cuba. Because of the high level of cross investment between Canada and the U.S., most major Canadian enterprises already have some legal exposure to the Libertad Act through their U.S. affiliates. U.S. entry restrictions on key Canadian corporate offices under Title IV of the Libertad Act (by which some Sheritt executives have been barred from the U.S.) already create a significant disincentive to Canadian investment in potentially expropriated properties and effectively underscore U.S. opposition to such efforts.

(SBU) Canadian officials have consistently complained about the extraterritorial reach of the Libertad Act, and Canada's Foreign Extraterritorial Measures Act was passed in 1985 to attempt to counteract U.S. laws by enabling a clawback of any losses awarded in U.S. courts, enforceable against American assets in Canada (as far as we know, this has never been used). Still, some Canadian companies continue to see Cuba as an emerging market of potential for Canadian exporters and investors. For instance, the Ministry of Economic Development for the Quebec provincial government leads a trade mission of about 10 provincial companies to Cuba each year. In late October 2006, the Canadians had a pavilion at the 24th Havana Trade Fair, featuring products and services, including agri-food, machinery, consumer products,

transportation, environment, construction and informational technology. The Canadian delegation to the Fair was led by DFAIT's Acting Assistant Deputy Minister for International Trade Robert Dery, and included officials from the Ministry of Agriculture and the provinces of Quebec and New Brunswick.

At last year's fair, the GoC said that more than US\$30 million of contracts were signed between Canadian exhibitors and Cubans.

13. (C) Are there any bilateral trade agreements between the host country and Canada?

(U) Canada and Cuba have had a long history of economic engagement, but there have not been any bilateral trade agreements within the last six months. About 22 percent of Cuban exports go to Canada, second only to the Netherlands. Cuban exports go to Canada, second only to the Netherlands. Last year Canadian imports from Cuba amounted to US\$456 million, less than one percent higher than the previous year.

97% of imports were nickel. Other imports were cigars, seafood, scrap metal, alcohol, and coffee. In 2005, Canada's exports to Cuba were valued at US\$369 million. The two biggest exports were computer and peripheral equipment, and mining, oil and gas field machinery, followed by wheat. Canadian exports to Cuba increased 47% over 2004, with much of the growth in the agricultural sector. The Canadian Wheat Board, the largest single seller of wheat and barley in the world, is working with ALIMPORT, Cuba's state importing agency, to increase Canadian wheat exports to Cuba. At ALIMPORT's request, the Canadians are also providing information about their barley and oats for food uses. Agricultural exports to Cuba are closely related to the tourism trade. With the exception of basic foodstuffs and commodities for the local population, the Cuban government imports food products to meet the demands of tourists. Demand for imported food is expected to increase with the

OTTAWA 00003536 002 OF 003

tourist trade.

(U) DFAIT told us that 600,000 Canadian tourists visit Cuba each year, attracted mainly by the low cost of vacations. This number accounts for roughly one third of Cuba's total tourist trade. In 2004, Cuba ranked fifth in popularity as a tourist destination for Canadians, after the U.S., the UK, Mexico and France.

14. (C) Are there any exchange programs between host country and Cuba, including but not limited to: scholarships for host country nationals to study in Cuba; Cuban-paid medical travel for host country nationals; and Cuban doctors working in host country?

(SBU) There are no extensive exchange programs between Canada and Cuba, especially in the medical field. Some Cuban youths, however, come to Canada on general foreign exchange programs and stay with Canadian host families.

(U) The Canadian International Development Agency (CIDA) provides aid to Cuba, which has amounted to more than US\$10 million per year in recent years through bilateral, multilateral, and partnership initiatives. For instance, CIDA provides medical supplies and hospital equipment to the Cuban health system and provides training to help Cubans to acquire skills required in a global economy, including the provision of information technologies to support economic planning, the development of new taxation systems, and new industrial training and certification programs. CIDA also supports university exchange programs, NGO projects, and youth internships that have taken, in recent years, more than 30 young Canadian graduates to work in Cuba for up to six months.

15. (C) Has the host country, in post's opinion, worked to promote the advancement of democracy and human rights in Cuba? This can include: public statements or other

governmental actions, such as resolutions in the national assemblies condemning human rights abuses in Cuba; statements in support of democracy following the July 31, 2006 handover of power from Fidel to Raul Castro; actions in support of civil support in Cuba through host country's diplomatic missions or other fora.

(C) Canada shares the same goals as the United States toward Cuba in respect to democracy and human rights. Canada, however, maintains a policy of principled engagement with both the Cuban government and dissidents, which it believes allows it the opportunity to have a positive impact on human rights and democracy in Cuba. There are a number of examples over the past year of Canada's engagement and intervention on behalf of human rights and the advance of democratization in Cuba:

(C) The Canadian Ambassador and the Cuban Interior Minister meet regularly to discuss the harsh treatment of dissidents. Conversations are polite but firm and frank. The Canadians are especially concerned with vigilante groups, known as &actos de repudio8, that enforce political and social policy through intimidation. In mid-November 2006 the Canadian Ambassador addressed this specific issue with the Interior Minister and to her surprise he admitted that these groups were a problem and that something had to be done to rein them in.

(SBU) The Canadian Embassy sponsors Canadian Studies Centers in several locations in Cuba to inform the general populace what life is like in a market-based economy, democratic state that respects human rights. A wide range of literature on human rights and democracy is available. In addition, the Canadians regularly send speakers to these venues to speak on these topics. Our interlocutors admit that they need to tread the line carefully so as not to provoke a backlash from the regime but they do push the envelope. Cuban authorities, however, have not recently cautioned them to tone down their message.

(C) The Cuban Ambassador to Canada was summoned to the Canadian Foreign Ministry in November 2006 after Cuba voted for the Iranian retaliatory resolution condemning Canada's human rights practices. The Canadians expressed their displeasure at Cuba's action and reminded the Ambassador that Cuba voted in the same league as Iran, Burma, Belarus and North Korea among others. The Canadian foreign ministry official emphasized &just look at the company you keep!8 The Ambassador admitted that Cuba did not in fact believe that the resolution was justified; rather it was simply a payback for Canada voting for resolutions condemning his own country's human rights practices.

OTTAWA 00003536 003 OF 003

(C) Canada did not issue any statements in support of democracy in Cuba after Fidel Castro handed over power to Raul in July. The GoC was concerned that a proliferation of statements at this delicate period could have been counterproductive and may have caused Cuban authorities to clamp down and limit access to their contacts.

16. (C) Have there been any high-level diplomatic visits between Cuba and host country in the past six months?

(U) There have been no high-level diplomatic visits between Cuba and Canada in the last six months.

17. (C) Embassy Ottawa recommends that implementation of Title III of the Libertad Act continue to be suspended for Canada on the grounds of national interest and further cooperation on transition to democracy in Cuba. In addition to the overall value of our close cooperation with Canada, a principal NATO ally, in key regions of the world (e.g., military support in Afghanistan) and in Latin American

democratic institutions and processes such as the OAS and the Summit of the Americas, Canada has given us effective support on Cuban human rights at the UN. The GoC also practices a cautious but consistent policy in Cuba of maintaining communications with key dissidents.

18. (C) Moreover, the new Harper government has quietly reached out to State and NSC colleagues for our input into its policy process as Canada examines new ways to promote freedom in Cuba. We do not want to take any action to discourage this favorable development.

19. (C) Finally, Canada has longstanding economic ties to Cuba. A decision to apply Title III would not change the level of Canada's economic engagement. But it would cause a new bilateral irritant at a time when we are looking for Canadian cooperation in other regions as well as its continuing military support in Afghanistan, which is increasingly unpopular at home. The U.S. entry restrictions on Canadian corporate officials under Title IV are a sufficient disincentive to Canadian investment in potentially expropriated properties and underscore our opposition to such investments.

Visit Canada's Classified Web Site at
<http://www.state.sgov.gov/p/wha/ottawa>

WILKINS